

American Rescue Plan Child Care Funding: An Opportunity to Make Decisions that Best Support Minnesota's Youngest Children

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In the past year, the public health pandemic has challenged everyone. Families with young children have faced extraordinary stress, which has affected not only parents but the young children in their household as well. Given what is known about the importance of a child's earliest years to brain development, setting the foundation for all future learning, it is more important now than ever to ensure that young children have access to high-quality child care.

With the influx of new federal dollars for early care and education under the Child Care and Development Block Grant (CCDBG), state policymakers have an opportunity to rethink how to best support the healthy development of children – particularly for the lowest income, vulnerable children who could most benefit from access to a high-quality child care program.

In Brief: In response to questions about eligible uses of CCDBG funding and state flexibility under current federal law, this brief describes options available to support Early Learning Scholarships through CCDBG funding.

Goal: Using Child Care and Development Block Grant Funding for Early Learning Scholarships

- Increase the number and percentage of low income young children in high-quality child care using supplemental federal Child Care and Development Block Grant (CCDBG) funds provided through the American Rescue Plan. *[This is the overall goal of CCDBG as reauthorized in 2014]*

What is needed to use CCDBG funds to support Early Learning Scholarships for young children?

- **Cross-agency Collaboration Between the Minnesota Dept. of Human Services (MDHS) and the Minnesota Dept. of Education (MDE).** Expand cross-agency coordination through an MOU or contract to collaboratively serve the most vulnerable young children through an interagency agreement that uses the Early Learning Scholarship program to offer choices to parents among high-quality child care settings (programs participating in Parent Aware) for at-risk children younger than age 5. MDE already works with MDHS related to Parent Aware programs.

Is CCDBG funding restricted to children with working parents? No.

- States are allowed to define children in need of “*protective services*” through the state plan submitted every 3 years. The FY2022-2024 child care state plan is due to the U.S. Department of Health and Human Services on July 1, 2021. Categories of children qualifying for protective services can be defined in the new state plan or through a plan amendment. MN could align the categories of vulnerable children with Early Learning Scholarship eligibility for the doubly-disadvantaged: children of parents under age 21 who are pursuing a high school diploma or GED, in families experiencing homelessness, in foster care, or in need of child protective services. HHS guidance is clear that the definition for protective services under CCDBG is only relevant for CCDBG, it does not mean that those children need formal intervention by the Child Protective Services (CPS) agency. Under federal law, families designated under the category of protective services do not need to meet the parent work requirement. Instead, eligibility relies on the vulnerability identified (e.g., homelessness). MN does not currently utilize the protective services option under CCDBG. But, MN could choose to do so.

Does CCDBG require parent co-pays and limit eligibility to 12 months for all families? No. States can waive the co-pay for families eligible under the protective services category. Under federal law, the 12 month recertification period is a minimum, not a maximum. MDHS and MDE could allow a longer period mutually agreed to, but are not bound by federal law to a maximum of 12 months.

What about the Equal Access Requirement under Federal Law? Are parents required to have a choice among all types of providers? For example, the Early Learning Scholarship program restricts child care subsidies to providers participating in Parent Aware. Is that a problem? No.

- 18 states currently require child care providers to participate in state quality rating and improvement systems (QRIS) as a condition of the receipt of CCDBG child care subsidy funds. Parents have many choices (among both center-based and home-based providers). With regard to scholarships, payments can also be made to programs that are participating in Parent Aware but have not yet been rated. MDE is committed to meeting the 75th percentile for scholarship payments. The CCAP program has much lower rates, even for providers that are quality rated. Low subsidy rates impact parent choices.

What about the age of children who are served under scholarships? Is it a problem that scholarships are only available for children birth to age 5 (for children not yet in kindergarten)? No.

- Other states have multiple strategies to support the availability and affordability of child care (e.g., 10 states use contracts with providers, which may target care based on a child's age or program capacity). Virginia recently passed legislation to specifically target new federal CCDBG dollars to children under age 5 (and older school-age siblings if such families have them). Therefore, states have many choices in the range of ways to meet the needs of families.

What about the income requirements that apply to CCAP compared to scholarships? Is it a problem that they are different? No.

- Currently, Early Learning Scholarships target families with income well below the level allowed under the CCAP program. Once eligible, the subsidy follows the child until school entry without an additional review of changes in family income. In order to comply with CCDBG income maximums generally, the Early Learning Scholarship program could cap income at 85% of the state median. With regard to the 85% SMI eligibility cap, the past three Congressional COVID related laws have waived the income cap for parents working in essential services (as defined by states). This means that some families have no income cap.

Policy Opportunity to Support MN's Youngest, Most Vulnerable Children.

- High-quality child care is the cornerstone of the Early Learning Scholarship program. The mission is to close the opportunity gap by increasing access to high-quality early childhood programs. With the influx of new federal CCDBG dollars, the Early Learning Scholarship program could be funded as one of several strategies to support families whose children would benefit from access to high-quality child care.
- The federal CCDBG law and guidance offer states a range of choices to best meet the needs of families with children. It's time for Minnesota to review available options to make decisions that best support the healthy development of children.

The pandemic presented everyone with unprecedented challenges. How Minnesota meets those challenges could have long-lasting impacts across generations. Targeting the youngest children so that parents have choices among high-quality care supports children, their parents, and the providers who serve them.

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